



**Statement of the basis of the balancing neutrality charges
applied in the period 1 October 2019 to 30 September 2020**

- Neutrality arrangements are such that GASPOOL neither gains nor loses:
 - Deficits are recovered through neutrality charges
 - Surplus amounts are distributed to balancing group managers (BGMs)
 - Funds only serve to finance the gas balancing regime, not to cover general operating expenses (office rent, salaries etc.)
- Neutrality accounting period = 12 months.
- GASPOOL estimates costs and revenues for each neutrality accounting period including a financial buffer for liquidity requirements (liquidity buffer).
- Deficit/surplus is calculated separately for RLM and SLP neutrality accounts and, if appropriate, neutrality charges are determined on the basis of gas quantities attributable to each account

- GASPOOL uses its own analyses as well as simulation and projection tools for the projection
- This requires in particular:
 - Historical data of the relevant gas variables in addition to descriptive parameters
 - Data relating to historical periods is used in principle, if it seems appropriate for creating understanding during the projection process
 - Definition/exclusion of periods whose general conditions are significantly different from the current general conditions of the respective data (and which therefore seem inappropriate for the projection)
 - An increase in data relating to historical periods normally leads to a better understanding of possible expected values and potential for fluctuation (risks)
 - Projection data obtained externally, where useful
 - Other insights and trends relevant to the projection (e.g. to derive variables for which there is no historical data or that have already been agreed in a contract, etc.)
 - Modelling/mapping of key relationships between the respective variables in calculation/simulation models, as well as the commercial impact

- The analyses and estimates are mostly focused on quantities and prices
 - Quantity estimate, primarily:
 - System balancing volumes are considered separately for each gas quality and merit order rank
 - Projection of energy imbalance quantities (positive and negative imbalances)
 - Projection of trends for network balancing accounts (positive and negative imbalances), reconciliation quantities
 - Estimate of gas quantities attributable to each account
 - Price estimate, primarily:
 - Basis: spot price forecasts for relevant trading hubs obtained from third parties
 - Historical price trends are factored in (separately for each merit order rank and gas quality)
 - Prices realised by GASPOOL in its trading activities are compared against relevant spot curves
 - Standard prices are derived for all key quantity parameters using stochastic methods
- Short-term fixed costs are taken into account (e.g. capacity charges for flexibility services)
- Two scenarios (base case and risk-adjusted scenario) are developed for RLM and SLP account, respectively

- Creation of liquidity reserves to cover the following aspects:
 - Cover for downside risks/estimation uncertainties on the basis of GASPOOL-internal risk assessment
 - Quantity risk
 - Price risk
 - Portfolio risk
 - Other risks (e.g. credit losses due to abusive conduct)
 - Cover for financing-related effects, e.g.
 - Tax effects (VAT)
 - Invoicing framework and terms of payment
 - Period of performance differs from invoicing and payment periods (e.g. balancing group invoices, quantity reconciliation)
 - Payment practices of customers
 - Peak/bridge financing
 - Stabilisation of balancing neutrality charges

Risk/situation	Description	Relevance to RLM*	Relevance to SLP*
Quantity risk	<p>Quantity risk exists in particular with regard to demand for system balancing volumes, which is exposed to considerable estimation uncertainty regarding level, direction (buy/sell) and supply/demand drivers. For example, an increase in net purchases may result in considerable additional demand for liquidity, which will have to be met directly.</p> <p>Since these quantities are invoiced in arrears within the framework of corresponding energy imbalance quantities and surpluses/deficits (depending on the cause), the liquid funds deployed can only be recovered with considerable delays, especially in the SLP area, and not necessarily in full.</p>	High	High
Price risk	<p>In carrying out energy balancing actions, GASPOOL is exposed to price risk which, depending on gas quality, merit order rank and market environment, may lead to considerable variances between the prices estimated in the cost and revenue estimate and the prices actually fetched.</p> <p>In addition to the immediate effects that energy balancing actions have on cash flows, there is the risk that these effects cannot be offset in a timely manner or in full in the subsequent corresponding invoices (especially for SLP).</p>	Low	Medium
Reconciliation clearing	<p>Since reconciliation clearing cannot be controlled by the market area manager, there is estimation uncertainty about the amount and timing of the reconciliation by the transmission system operators. This also affects subsequent adjustments to periods already invoiced.</p>	None	Low
Other risks	<p>There is exposure to other risks for both RLM and SLP. In addition to risks for a possible use of long-term options (unit-based prices) to increase supply security and general risks of late payment, they include credit risks for energy imbalance charges receivable in the area of RLM due to the possibility of future cases of abusive conduct.</p>	Medium	Low
Effects of aggregation	<p>The combined occurrence of risks (e.g. both quantity and price risks materialise simultaneously) may lead to higher-order effects that cannot be tracked on the basis of individual risks.</p>	Low	Medium
Financing effects, pre-financing and bridge financing	<p>Even in the base scenario (without risks materialising), there are pre-financing effects because the timing of costs and revenues does not coincide between the performance period (i.e. the period of economic accrual) and the cash flow date. In addition, there may be demand for additional peak/bridge financing, which can no longer be met with other financing tools at times when the liquidity buffer falls sharply.</p> <p>These effects are reflected in an appropriate manner by including them in the liquidity buffer.</p>	High	High

*In relation to the respective liquidity buffer

- Step 1: Determination of account balances at the end of the charging period to be planned based on estimated costs and revenues
- Step 2: Taking account of the liquidity buffer required to determine
 - surpluses (positive remaining account balance)
 - deficits (negative remaining account balance)
- Step 3 in case of deficits (as is the case here): Determination of the charges required to cover the deficits on the basis of estimated gas quantities attributable to each account

Estimate for 2019/2020 neutrality accounting period	RLM	SLP
Estimated balance of balancing account as at 1 October 2019 in EUR	118.9	361.1
Estimated balance of revenues and costs for GY 2019/2020 in EUR	-19.8	-39.3
Estimated balance of balancing account as at 30 September 2020 in	-99.1	321.8

Required liquidity buffer in EUR million	103.3	367.2
Estimated balance of balancing account including required liquidity in EUR million	-4.2	-45.4

Estimated gas quantities attributable to each account in MWh million	282.3	156.6
Resulting charge in EUR/MWh	0.015	0.29

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